

**BRİSA BRIDGESTONE SABANCI
LASTİK SANAYİ VE TİCARET A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2014 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR’S REPORT

**To the Board of Directors of
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.**

Report on the Financial Statements

We have audited the accompanying financial statements of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“the Company”), which comprise the balance sheet as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards (“TAS”), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Company’s set of accounts and financial statements prepared for the period 1 January-31 December 2014 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

In accordance with paragraph four of the Article 398 of TCC, the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 26 February 2015.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Ömer Tanrıöver, SMMM
Partner

İstanbul, 26 February 2015

CONTENTS	PAGE
BALANCE SHEET	1-2
STATEMENT OF PROFIT OR LOSS	3
STATEMENT OF COMPREHENSIVE INCOME	4
STATEMENT OF CHANGES IN EQUITY	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-64
1. ORGANIZATION AND OPERATIONS OF THE COMPANY	7
2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	7- 21
3. CASH AND CASH EQUIVALENTS	22
4. FINANCIAL LIABILITIES	22-25
5. DERIVATIVE FINANCIAL INSTRUMENTS	25-26
6. TRADE RECEIVABLES AND PAYABLES	27-28
7. OTHER RECEIVABLES AND PAYABLES	28-29
8. INVENTORIES	29
9. PREPAID EXPENSES AND DEFERRED INCOME	29-30
10. PROPERTY, PLANT AND EQUIPMENT	31-32
11. INTANGIBLE ASSETS	32-33
12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	33-34
13. COMMITMENTS	34-35
14. EMPLOYEE BENEFITS	36-37
15. OTHER ASSETS AND LIABILITIES	37
16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	38
17. SALES AND COST OF GOODS SOLD	39
18. EXPENSES BY NATURE	39-40
19. OTHER OPERATING INCOME AND EXPENSES	40-41
20. INCOME AND EXPENSES FROM INVESTING ACTIVITIES	41
21. FINANCE EXPENSES	41
22. TAXATION ON INCOME	42-44
23. EARNINGS PER SHARE	45
24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES	45-49
25. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	50-61
26. FINANCIAL INSTRUMENTS	62-64
27. EVENTS AFTER THE REPORTING PERIOD	64

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.**AUDITED BALANCE SHEET AT 31 DECEMBER 2014**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

		Current Period 31 December 2014	Prior Period 31 December 2013
	Notes		
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	9.847.319	7.968.100
Trade Receivables	6	532.639.876	454.204.141
Trade Receivables From Related Parties	24	22.680.281	20.367.562
Trade Receivables From Third Parties		509.959.595	433.836.579
Other Receivables	7	10.895.933	8.317.415
Other Receivables From Related Parties	24	1.433.134	2.068.975
Other Receivables From Third Parties		9.462.799	6.248.440
Derivative Financial Instruments	5	49.701.285	40.451.879
Inventories	8	313.952.942	281.133.660
Prepaid Expenses and Deferred Income	9	43.934.882	25.812.669
Assets Related to Current Tax	22	213.263	8.501.520
Other Current Assets	15	11.816.357	17.856.488
Total Current Assets		973.001.857	844.245.872
Non-Current Assets			
Trade Receivables	6	19.206.703	5.847.250
Other Receivables	7	100.421	98.415
Property, Plant and Equipment	10	565.233.002	502.422.151
Intangible Assets	11	40.349.839	34.194.851
Prepaid Expenses	9	14.648.234	6.504.391
Deferred Tax Assets	22	12.674.846	12.112.041
Total Non-Current Assets		652.213.045	561.179.099
TOTAL ASSETS		1.625.214.902	1.405.424.971

The accompanying notes form an integral part of these financial statements.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED BALANCE SHEET AT 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Current Period 31 December 2014	Prior Period 31 December 2013
LIABILITIES			
Current Liabilities			
Short-term Borrowings	4	218.835.396	241.519.501
Short-term Portion of Long Term Borrowings	4	30.386.055	7.168.174
Trade Payables	6	209.336.298	190.324.013
Trade Payables To Related Parties	24	54.299.758	58.731.786
Trade Payables To Third Parties		155.036.540	131.592.227
Payables Related to Employee Benefits	14	12.904.461	10.500.074
Other Payables	7	2.365.259	1.937.356
Other Payables To Related Parties	24	240.182	260.151
Other Payables To Third Parties		2.125.077	1.677.205
Derivative Financial Instruments	5	9.411.167	85.475
Deferred Income	9	7.461.097	5.598.618
Short-term Provisions		15.970.920	11.351.994
Short-term Provisions For Employee Benefits	14	12.659.931	8.246.313
Other Short-term Provisions	12	3.310.989	3.105.681
Total Current Liabilities		506.670.653	468.485.205
Non-Current Liabilities			
Long-term Borrowings	4	473.625.900	333.061.902
Deferred Income	9	1.649.449	1.130.662
Long-term Provisions		38.391.281	34.280.701
Long-term Provisions For Employee Benefits	14	38.391.281	34.280.701
Total Non-Current Liabilities		513.666.630	368.473.265
Total Liabilities		1.020.337.283	836.958.470
EQUITY			
Share Capital	16	305.116.875	305.116.875
Adjustment To Share Capital		54.985.701	54.985.701
Share Premium		4.903	4.903
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss			
Hedging Reserve (Losses) / Gains		(11.007.905)	10.897.923
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss			
Actuarial Losses		(3.546.159)	(2.434.992)
Restricted Reserves		66.032.094	48.631.690
Retained Earnings		6.972.485	6.916.230
Net Income For The Period		186.319.625	144.348.171
Total Equity		604.877.619	568.466.501
TOTAL LIABILITIES AND EQUITY		1.625.214.902	1.405.424.971

The accompanying notes form an integral part of these financial statements.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31
DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	1 January- 31 December 2014	1 January- 31 December 2013
Sales	17	1.693.497.624	1.489.491.658
Cost of Sales (-)	18	<u>(1.206.123.114)</u>	<u>(1.098.300.837)</u>
GROSS PROFIT		487.374.510	391.190.821
General Administrative Expenses (-)	18	(65.561.368)	(55.997.751)
Marketing Expenses (-)	18	(173.369.298)	(148.143.701)
Research and Development Expenses (-)	18	(14.632.689)	(13.917.700)
Other Operating Income	19	42.947.308	41.470.649
Other Operating Expenses (-)	19	<u>(13.024.886)</u>	<u>(9.485.454)</u>
OPERATING PROFIT		263.733.577	205.116.864
Income From Investing Activities	20	168.245	947.914
Expenses From Investing Activities (-)	20	<u>(453.277)</u>	<u>(392.222)</u>
PROFIT BEFORE FINANCIAL EXPENSES		263.448.545	205.672.556
Financial Expenses (-)	21	(52.163.067)	(51.415.334)
PROFIT BEFORE TAX		211.285.478	154.257.222
Taxation on Income		(24.965.853)	(9.909.051)
Current Tax Expense / Income For The Period	22	(19.774.409)	(21.926.849)
Deferred Tax (Expense) / Income	22	<u>(5.191.444)</u>	<u>12.017.798</u>
PROFIT FOR THE PERIOD		<u>186.319.625</u>	<u>144.348.171</u>
Earnings per share	23	0,549	0,427

The accompanying notes form an integral part of these financial statements.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED
31 DECEMBER 2014

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Current Period 1 January- 31 December 2014	Prior Period 1 January- 31 December 2013
PROFIT FOR THE PERIOD	186.319.625	144.348.171
<i>OTHER COMPREHENSIVE INCOME:</i>		
Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss	(1.111.167)	-
Actuarial Gains/ (Losses)	(1.388.959)	-
Deferred Tax Income	277.792	-
Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	(21.905.828)	11.539.136
Hedging Reserve Gains / (Losses)	(27.382.285)	14.423.920
Deferred Tax Income/(Expense)	5.476.457	(2.884.784)
OTHER COMPREHENSIVE INCOME	(23.016.995)	11.539.136
TOTAL COMPREHENSIVE INCOME	163.302.630	155.887.307

The accompanying notes form an integral part of these financial statements.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

			Other Comprehensive Income or Expenses That Will Be Reclassified to Profit or Loss	Other Comprehensive Income or Expenses That Will Not Be Reclassified to Profit or Loss		Retained Earnings			
	Share Capital	Adjustment To Share Capital	Share Premium	Hedging Reserve Gains/ (Losses)	Actuarial (Losses) / Gains	Restricted Reserves	Retained Earnings	Net Income For The Period	Shareholders' Equity
Balances at 1 January 2013 (Beginning of the Period)	305.116.875	54.985.701	4.903	(641.213)	-	37.950.734	18.540	92.885.190	490.320.730
Actuarial Losses	-	-	-	-	(2.434.992)	-	-	2.434.992	-
Restated Balances at 1 January 2013 (Beginning of the Period)	305.116.875	54.985.701	4.903	(641.213)	(2.434.992)	37.950.734	18.540	95.320.182	490.320.730
Transfers	-	-	-	-	-	10.680.956	84.639.226	(95.320.182)	-
Total Comprehensive Income	-	-	-	11.539.136	-	-	-	144.348.171	155.887.307
Dividends Paid (*)	-	-	-	-	-	-	(77.741.536)	-	(77.741.536)
Balances at 31 December 2013 (End of the period)	305.116.875	54.985.701	4.903	10.897.923	(2.434.992)	48.631.690	6.916.230	144.348.171	568.466.501
Balances at 1 January 2014 (Beginning of the Period)	305.116.875	54.985.701	4.903	10.897.923	(2.434.992)	48.631.690	6.916.230	144.348.171	568.466.501
Transfers	-	-	-	-	-	17.400.404	126.947.767	(144.348.171)	-
Total Comprehensive Income	-	-	-	(21.905.828)	(1.111.167)	-	-	186.319.625	163.302.630
Dividends Paid (*)	-	-	-	-	-	-	(126.891.512)	-	(126.891.512)
Balances at 31 December 2014 (End of the period)	305.116.875	54.985.701	4.903	(11.007.905)	(3.546.159)	66.032.094	6.972.485	186.319.625	604.877.619

(*)Dividends paid by the Company per share with a TL 1 nominal value is TL 0,39060 (2013: TL 0,2360).

The accompanying notes form an integral part of these financial statements.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
AUDITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER
2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	<u>Notes</u>	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Net Profit For The Period		186.319.625	144.348.171
Adjustments to Reconcile Profit for The Period		187.881.980	143.534.252
Adjustments Related to Depreciation and Amortization Expenses	10,11	94.420.754	78.506.615
Adjustment Related to Provisions		3.026.732	2.624.916
Provisions for Employee Benefits	14	16.714.051	12.128.537
Lawsuit Provision	12	1.696.771	1.282.053
Adjustments Related to Retirement Pay Provision	14	6.309.033	6.987.859
Adjustments Related to Doubtful Receivables	6	492.551	-
Interest Income	19	(109.767)	(34.656)
Interest Expense	21	52.792.467	41.005.134
Unrealized Foreign Exchange Losses / (Gains)		2.445.603	5.612.368
(Gains) / Losses From Derivative Financial Instruments		(9.789.070)	(10.277.936)
Adjustments Related to Tax Expense / Income	22	24.965.853	9.909.051
Losses / (Gain) On Sale of Properties, Net	20	285.032	(555.692)
Finance (income) / expense accruals from credit purchases / sales (net)		(5.368.030)	(3.653.997)
Changes In Working Capital		(128.433.377)	(29.519.737)
Adjustments Related to Increase / Decreases in Inventory		(25.247.714)	(29.658.158)
Adjustments Related to Increase / Decreases in Trade Receivables		(89.787.106)	(21.017.248)
Adjustments Related to Increase / Decreases in Other Receivables Related to Operations		(22.902.489)	(29.939.459)
Adjustments Related to Increase / Decreases in Trade Payables		18.945.839	47.482.315
Adjustments Related to Increase / Decreases in Other Payables Related to Operations		(9.441.907)	3.612.813
Cash Flows From Operating Activities		(17.131.570)	(37.222.660)
Interest Received	19	109.767	34.656
Taxes Paid / Reimbursed		(11.445.640)	(32.491.409)
Paid / Reversed Provisions	12	(996.113)	(1.210.126)
Paid / Reversed Lawsuit Provisions	12	(1.212.172)	(486.657)
Retirement Benefits Paid	14	(3.587.412)	(3.069.124)
A. NET CASH GENERATED FROM OPERATING ACTIVITIES		228.636.658	221.140.026
Proceeds From Sale of Property, Plant and Equipment and Intangible Assets		219.304	1.097.821
Payments For Property, Plant and Equipment and Intangible Assets	10,11	(168.166.800)	(110.564.852)
Cash Inflow / (Outflows) from Derivative Instruments		6.493.253	14.857.883
B. CASH FLOWS FROM INVESTING ACTIVITIES		(161.454.243)	(94.609.148)
Proceeds From Borrowings		113.800.756	2.113.767
Cash Used for Repayment of Obligations Under Finance Leases		(1.230.021)	(1.022.982)
Dividends Paid		(126.891.512)	(77.741.536)
Interest Paid		(50.982.419)	(52.800.438)
C. CASH FLOWS FROM FINANCING ACTIVITIES		(65.303.196)	(129.451.189)
Net Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)		1.879.219	(2.920.311)
Cash and Cash Equivalents at the Beginning of the Period		7.968.100	10.888.411
Cash and Cash Equivalents at the End of the Period		9.847.319	7.968.100

The accompanying notes form an integral part of these financial statements.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE COMPANY

Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. (“Brisa” or “Company”) was established in 1974 as a subsidiary of Hacı Ömer Sabancı Holding A.Ş..

Brisa is primarily engaged in manufacturing, marketing and selling vehicle tires in Turkey. In 1988, the Company entered into a license agreement with Bridgestone Corporation for the purpose of manufacturing and selling Bridgestone tires.

The control of the Company is jointly held by H.Ö. Sabancı Holding A.Ş. and Bridgestone Corporation.

The Company’s employee headcount with indefinite-term employment contract is 2.431 (2013: 1.818). This number includes 1.893 employees who are subject to Collective Bargaining Agreement terms (2013: 1.361), and 531 employees who are not subject to these terms (2013: 450). There are 7 foreign employees (2013: 7). In addition, there are no employees who are subject to definite-term employment contracts (2013:2).

Brisa is registered with the Capital Markets Board (“CMB”) and its shares have been quoted in Borsa İstanbul A.Ş. since 1986. As of the same date, the main shareholders and their respective shareholding in the Company are as follows:

	%
Hacı Ömer Sabancı Holding A.Ş.	43,63
Bridgestone Corporation	43,63
Other	12,74
	100,00

The address of the registered office of the Company is as follows:

Sabancı Center Kule 2 Kat: 8
4. Levent 34330 Beşiktaş / İstanbul

The financial statements for the period 1 January - 31 December 2014 have been approved for issue by the Board of Directors on 26 February 2015 and signed on behalf of the Board of Directors by Mübin Hakan Bayman, General Manager, and by Bora Çermikli, Chief Financial Officer.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance with TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.1 Basis of Presentation (Cont’d)

Statement of compliance with TAS (cont’d)

Additionally, the financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013.

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in Turkish Lira (“TL”), which is the functional currency of the Company and the reporting currency for the financial statements.

Preparation of financial statements in hyperinflationary periods

Based on CMB’s resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey and preparing their financial statements in accordance with the POA Accounting Standards are not subject to inflation accounting effective from 1 January 2005. Therefore, starting from January 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying financial statements.

2.2 Changes in Accounting Policies

Significant changes in the accounting policies are applied retrospectively and prior period financial statements are restated. There are no changes in the accounting policies for the period 1 January - 31 December 2014.

2.3 Changes in the Accounting Estimates and Errors

Changes in accounting estimates should be applied prospectively, if only for a period in which the change in the current period. If it relates to future periods they are recognized to prospectively both in the current period and in the future period considering the impact on the profit of loss. There are no changes in the accounting estimates for the period 1 January - 31 December 2014. Identified accounting errors are corrected in financial statements retrospectively. There are no errors identified in the financial statements for the period 1 January - 31 December 2014.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 New and Revised Turkish Financial Reporting Standards

a) Amendments to TASs affecting amounts reported and/or disclosures in the financial statements

None.

b) New and Revised standards applied with no material effect on the financial statements

Amendments to TFRS 10, 12, TAS 27	<i>Investment Entities</i> ¹
Amendments to TAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> ¹
Amendments to TAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
Amendments to TAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
TFRIC 21	<i>Levies</i> ¹
Amendments to TAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i> ²

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective after the amendment published 12 November 2014.

Amendments to TFRS 10, 12, TAS 27 *Investment Entities*

This amendment with the additional provisions of TFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to TAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

Amendments to TAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of TFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 has been changed.

Amendments to TAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

TFRS Interpretation 21 *Levies*

TFRS Interpretation 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 New and Revised Turkish Financial Reporting Standards (TAS) (Cont’d)

b) New and Revised standards applied with no material effect on the consolidated financial statements

Ammendments to TAS 21 The Effects of Changes in Foreign Exchange Rates

Article B, paragraph 39 of TAS 21 Effects of Changes in Foreign Exchange Rates has been changed as it is explained below:

“(b) Income and expenses in each statement presenting the profit or loss and other comprehensive income (including the comparative amounts) are converted in the foreign exchange rate of the transaction date.

c) New and revised standards in issue but not yet effective

The Company has not applied the following new and revised standards that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and</i>
Amendments to TAS 19	<i>Transition Disclosures</i>
	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Annual Improvements to 2010-2012	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and</i>
Cycle	<i>TAS 38, TAS 24</i> ¹
Annual Improvements to 2011-2013	<i>TFRS 1, TFRS 3, TFRS 13, TAS 40</i> ¹
Cycle	
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of</i>
	<i>Depreciation and Amortisation</i> ²
Amendments to TAS 16 and TAS 41	<i>Agriculture: Bearer Plants</i> ²
Amendments to TAS 1, TAS 17, TAS	
23, TAS 36 and TAS 40	
Amendments to TFRS 11 and TFRS 1	<i>Investment Entities: Applying the Consolidation</i>
	<i>Exception</i> ²

¹ Effective for annual periods beginning on or after 30 June 2014.

² Effective for annual periods beginning on or after 31 December 2015.

TFRS 9 Financial Instruments

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 Mandatory Effective Date of TFRS 9 and Transition Disclosures

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. This revision has not been published by POA yet.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 New and Revised Turkish Financial Reporting Standards (Cont’d)

c) New and revised standards in issue but not yet effective (cont’d)

Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

TFRS 8: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 and TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

TAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

TFRS 3: Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

TFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

TAS 40: Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.4 New and Revised Turkish Financial Reporting Standards (Cont’d)

c) New and revised standards in issue but not yet effective (cont’d)

Amendments to TAS 16 and TAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 Agriculture: Bearer Plants

This amendment include “bearer plants” within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

These amendments on TAS 16 and TAS 41 caused revisions on related parts of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 respectively.

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TFRSs, except for those principles that conflict with the guidance in TFRS 11
- disclose the information required by TFRS 3 and other TFRSs for business combinations.

This amendment on TFRS 11 caused revisions on related parts of TFRS 1.

The Company evaluates the effects of these standards on the consolidated financial statements.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies

2.5.1 Revenue

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commissions, and exclude sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

Other revenues earned by the Company are recognised on the following bases:

Interest revenue

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.5.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour, translation difference from financial and an appropriate amount of factory overheads. The unit cost of inventories is determined on the moving weighted average basis (Note 8). Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses

2.5.3 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any (Note 10). Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Land improvements	10
Buildings	25
Machinery and equipment	8
Motor vehicles	5
Furniture and fixtures	10

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the related income and expense accounts, as appropriate.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

2.5.3 Property, plant and equipment (Cont’d)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset.

Estimated useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

Expenses for the repair and maintenance of property, plant and equipment are normally charged against income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and depreciated over the average expected life between major overhauls.

2.5.4 Intangible assets

Intangible assets include acquired rights, software, special selling rights, licences and other identifiable rights. Intangible assets are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method over a period not exceeding 10 years (Note 11).

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

2.5.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 3).

2.5.6 Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Principal payments are disclosed as liabilities and decreased according to payments made (Note 4). The interest element of the finance cost is charged to the income statement over the lease period. Obligations under finance leases are stated in the financial statements at the acquisition values of the related property, plant and equipment and depreciated over the useful life.

2.5.7 Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant. A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due.

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Those with maturities greater than 1 year are classified as non-current assets. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 6).

2.5.8 Due date income / (charges)

Due date income / (charges) represents the income / (charges) that are resulting from credit purchase or sales. These income / (charges) are considered as financial income and expenses which result from credit purchase or sales during the period and included in other operating income / (expense) throughout the maturity period.

2.5.9 Taxes on income

Taxes on income for the period comprise of current tax and the change in deferred taxes.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

2.5.9 Taxes on income (Cont’d)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination.

2.5.10 Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement as financial expense over the period of the borrowings.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

2.5.10 Borrowings and borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are charged to the income statement when they are incurred (Note 4).

2.5.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 6).

Those with maturities greater than 1 year are classified as non-current liabilities.

2.5.12 Foreign currency transactions

The financial statements are presented in Turkish Lira (“TL”), which is the functional currency and the presentation currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign currency differences related with borrowings are recognized in the “financial income / (expense), whereas foreign currency differences related with cash and cash equivalents and other monetary assets and liabilities are recognised in the “other operating income/(expense)” in the statement of profit or loss.

Foreign currency differences related with non-monetary assets and liabilities are recognised as fair value gains and losses.

2.5.13 Provisions, contingent assets and liabilities

Provisions are recognised when the Company has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate, used to calculate the present value of the provision should be pre-tax rate reflecting the current market assessments of the time value of money and the risks specific to the liability. The discount rate shall not reflect risks for which future cash flow estimates have been adjusted.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

2.5.14 Provision for employment termination benefits

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 14).

2.5.15 Share capital

Ordinary shares are classified as equity. Dividends payable are recognised in the financial statements as a result of profit distribution in the period in which they are declared.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.5.16 Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward transactions and cross currency swap transactions. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at their respective fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has designated their derivatives (“hedging instrument”) to hedge its cash flows on foreign purchases (“hedged item”).

The Company documents, at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.

The gain or loss relating to the ineffective portions of foreign exchange forward transactions is recognised in the statement of profit or loss. Amounts previously recognised in other comprehensive income are transferred to the statement of profit or loss in the periods when the hedged item affects profit or loss (when the forecast transaction that is hedged takes place). The gain or loss relating to the effective portions of cross currency swap transactions is recognised in other comprehensive income (Note 5).

2.5.17 Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 23).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5.1 Significant Accounting Policies (Cont’d)

2.5.18 Related parties

For the purpose of these financial statements, shareholders, the Group companies of Hacı Ömer Sabancı Holding A.Ş. and Bridgestone Corporation Group companies, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. The Company assigned its key management as board of directors and the members of the executive board (Note 24).

2.5.19 Reporting of cash flows

Statements of cash flows are reported by presenting cash flows from operating, investing and financing activities separately.

Cash flows from operating activities are the cash flows from Company’s principal revenue-producing activities.

Cash flows from investing activities are the cash flows from Company’s acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Cash flows from financing activities are the cash flows from Company’s changes in the size and composition of the contributed equity and borrowings.

Cash and cash equivalents include cash on hand, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within 3 months (Note 3).

2.5.20 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.5.21 Provision for warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products sold under the scope of the warranty terms.

2.5.22 Financial assets

Financial assets within the scope of TAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2.5.23 Events after the reporting period

Events after the reporting period comprise any event between the balance sheet date and the date of authorization of the financial statements, even if the event after balance sheet date occurred subsequent to an announcement on the Company’s profit or following any financial information that are released.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.5 Significant Accounting Policies (Cont’d)

2.5.24 Comparatives and restatement of prior period financial statements

In order to allow for the determination of the financial situation and performance trends, the Company’s financial statements have been presented comparatively with the prior year. Where necessary, comparative figures are reclassified to conform to changes in presentation in the current period.

2.6 Critical Accounting Judgments, Estimates and Assumptions

Preparation of the financial statements in accordance with CMB Financial Reporting Standards necessitates the usage of estimations and assumptions that can affect amounts of reported assets and liabilities as of balance sheet date, the explanation for the contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimations and assumptions are based on the best judgement of the Company management related with the current conditions and transactions, actual results may differ from these estimations. Estimations are revised on a regular basis; necessary adjustments and corrections are made; and they are included in the income statement when they accrue. Estimations and assumptions subject to the risk that may lead to corrections in the book value of assets and liabilities in the next financial period are given below:

Useful lives of tangible and intangible assets

Tangible and intangible assets are stated at historical cost less depreciation and net of any impairment, if any. Depreciation on tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Useful lives depend on best estimates of management, are reviewed in each financial period and necessary corrections are made (Note 10 - 11).

Provision for doubtful receivables

The Company calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers to make required payments. The estimates used in evaluating the adequacy of the provision for impairment of trade receivables are based on the aging of the trade receivable balances and the trend of collection performance. The provision for doubtful trade receivables is a critical accounting estimate that is formed by past payment performance and financial position of customers (Note 6).

Investment incentive

The recognition of deferred income tax assets is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. Deferred income tax assets are recognised to the extent that it is probable that investment incentive will be utilized. As discussed in Note 22, the Company has obtained a foreign investment incentive right amounting to TL 481 million for 5 years period with a certificate taken from Republic of Turkey Prime Ministry Undersecretariat of Treasury dated 1 June 2010 based on the 4875 Act of Direct Foreign Investment Law. Based on the related incentive right, the Company utilized a reduced corporate tax amounting to TL 3.595.455 for the years ended 31 December 2010-2013 and TL 4.277.283 for the year ended 31 December 2014. The Company estimates to utilize TL 115.914.071 reduced corporate tax in the future. In addition to this, as the Company estimates to utilize the related benefit within 20 years, for the foreseeable 3 years a deferred income tax asset of TL 13.377.449 has been accounted for in the context of prudence.

The Company utilized a reduced corporate tax of TL 5.156.089 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone (Note 22) in year 2013, whereas the Company utilized a reduced corporate tax of TL 12.858.509 for the period 1 January – 31 December 2014.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Cont’d)

2.6 Critical Accounting Judgments, Estimates and Assumptions

Other Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made (Note 12).

Fair value of derivatives and other financial instruments

The fair value of derivative financial instruments which are not traded in an active market is determined using valuation techniques based on market rates and expected yields. Fair value of non-derivative financial instruments is determined based on the present value of future principal and interest cash flows. These cash flows are calculated based on the discount rate prevailing at the reporting date (Note 5).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

3. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Banks	9.847.319	7.968.100
Demand deposits	9.847.319	7.968.100
	9.847.319	7.968.100

Nature and extent of the risks on cash and cash equivalents are described below the note 25. Demand deposits comprise collections from direct debiting system (DDS) and cheques kept under current accounts based on agreements made with banks.

4. FINANCIAL LIABILITIES

	31 December 2014	31 December 2013
Short-term bank borrowings	218.739.445	240.312.683
Short-term financial lease obligations	95.951	1.206.818
Total short-term financial liabilities	218.835.396	241.519.501
Short-term portion of long term bank borrowings	30.386.055	7.168.174
Long-term bank borrowings	473.625.900	332.979.900
Long-term financial lease obligations	-	82.002
Total long-term financial liabilities	473.625.900	333.061.902
Total financial liabilities	722.847.351	581.749.577

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. FINANCIAL LIABILITIES (Cont’d)

Bank borrowings

	31 December 2014		31 December 2013	
	Weighted average effective interest rate %	TL	Weighted average effective interest rate %	TL
Short-term bank borrowings				
TL denominated borrowings	8,79	218.739.445	7,37	240.312.683
		218.739.445		240.312.683
Short-term portion of long-term borrowings				
TL denominated borrowings	9,54	21.945.100	9,54	2.934.045
Euro denominated borrowings	-	21.684	-	20.066
USD denominated borrowings	-	8.419.271	-	4.214.063
		30.386.055		7.168.174
Total short-term borrowings		249.125.500		247.480.857
Long-term bank borrowings				
TL denominated borrowings	-	-	9,54	20.010.600
Euro denominated borrowings	2,05	42.310.500	2,05	44.047.500
USD denominated borrowings (*)	0,76	431.315.400	0,87	268.921.800
		473.625.900		332.979.900
Total long-term borrowings		473.625.900		332.979.900
Total borrowings		722.751.400		580.460.757

(*) Foreign currency denominated borrowings are hedged by cross currency swap transactions (Note 5).

Redemption schedules of borrowings are summarised below:

	31 December 2014	31 December 2013
2014	-	247.480.857
2015	249.125.500	20.010.600
2016	56.223.900	56.853.300
2017	278.268.000	256.116.000
2018	139.134.000	-
	722.751.400	580.460.757

Fair value of the Company’s borrowings approximates their carrying value.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. FINANCIAL LIABILITIES (Cont’d)

Bank borrowings (cont’d)

Company’s significant bank borrowings are summarized as follows:

a) USD 60 million borrowing has been used on 26 March 2013. Interest payments has started on 26 September 2013 and will continue until the due date which is 26 March 2017. In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 60 million borrowing which has an interest instalment in every 6 months period and has a USLibor+0,625 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 109.032.000 and the interest rate to 7,29% while the USD foreign exchange rate is fixed to TL 1,8172.

b) USD 20 million borrowing has been used on 26 September 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40 million, once in a six month interest installment over 8,87% rate and the USD exchange rate to TL 2,0000.

c) USD 20 million borrowing has been used on 24 October 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40.170.000, once in a three month interest installment over TRLibor+0,40 rate and the USD exchange rate to TL 2,0085.

d) USD 20 million borrowing has been used on 8 November 2013, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,325 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 40.170.000, once in a three month interest installment over TRLibor+0,40 rate and the USD exchange rate to TL 2,0085.

e) USD 40 million borrowing has been used on 24 March 2014 , with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 89.280.000, once in a three month interest installment over 11,9 % rate and the USD exchange rate to TL 2,232.

f) USD 20 million borrowing has been used on 30 November 2014, with a maturity of 4 years and a once in a six month interest installment of USLibor+0,295 rate. In order to mitigate the floating interest rate and foreign currency risk, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the borrowing to TL 44.700.000, once in a three month interest installment over 11,9 rate and the USD exchange rate to TL 2,235.

g) TL 50 million borrowing spot borrowing has been used on 21 November 2014 with a 6 months maturity. Annual interest rate of the borrowing is 8,55 %.

h) TL 50 million borrowing spot borrowing has been used on 21 November 2014 with a 1 year maturity. Annual interest rate of the borrowing is 8,80 %.

i) TL 60 million borrowing spot borrowing has been used on 24 December 2014 with a 1 year maturity. Annual interest rate of the borrowing is 8,90 %.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. FINANCIAL LIABILITIES (Cont’d)

Financial lease obligations

Repayment schedule of financial lease obligations are as follows:

	31 December 2014	31 December 2013
Less than 3 months	95.951	291.938
Between 3 - 12 months	-	914.880
Between 1 - 5 years	-	82.002
	95.951	1.288.820

5. DERIVATIVE FINANCIAL INSTRUMENTS

	<u>31 December 2014</u>		<u>31 December 2013</u>	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	857.951	237.022	8.323.104	85.475
Cross currency and interest swaps	48.843.334	9.174.145	32.128.775	-
	49.701.285	9.411.167	40.451.879	85.475

In order to mitigate the foreign currency risks arising from the Euro exports and US Dollar raw material purchases, the Company enters into Euro Buying/ US Dollar selling and TL selling/ US Dollar buying forward contracts. These transactions are accounted for within the scope of hedge accounting. Unrealized valuation differences are accounted for under equity.

As of 31 December 2014, the Company’s various forward contracts’ maturities extend to 15 September 2015 with a total of Euro 4.900.000 selling and US Dollar 6.098.610 buying (31 December 2013: Euro 40.200.000 selling/ US Dollar 55.356.230 buying) purposes and has an average Euro/USD parity of 1,2446 (31 December 2013: 1,3770), causing an asset of TL 314.548 (31 December 2013: TL 93.724 asset).

As of 31 December 2014, the Company’s various forward contracts’ maturities extend to 30 December 2015 with a total of TL 416.124.050 selling and US Dollar 172.500.000 buying (31 December 2013: TL 168.985.840 selling/ US Dollar 80.100.000 buying) purposes and has an average USD foreign exchange rate of 2,4123 (31 December 2013: 2,1097), causing an asset of TL 543.403 and TL 187.412 liability (31 December 2013: of TL 8.229.380 and TL 85.475 liability).

As of 31 December 2014, the Company’s various forward contracts’ maturities extend to 15 January 2015 with a total of TL 3.175.700 selling and Euro 1.100.000 buying (31 December 2013: none) purposes and has an average Euro foreign exchange rate of 2,8870 (31 December 2013: none), causing an TL 49.610 liability (31 December 2013: none).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

5. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 60 million amounting borrowing which has an interest installement in every 6 months period and has a USLibor+0,625 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 109.032.000 and the interest rate to 7,29% while the USD foreign exchange rate is fixed to TL 1,8172. As of 31 December 2014, Company has a total asset of TL 33.872.164 arising from this swap transaction. (31 December 2013: TL 26.278.266 asset)

In order to mitigate the floating Libor+0,325 interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 26 September 2013 which has an interest installement in every 6 months, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.000.000 and the interest rate to 8,87% while the USD foreign exchange rate is fixed TL 2,0000. As of 31 December 2014, Company has a total asset of TL 5.860.035 arising from this swap transaction. (31 December 2013 : TL 1.381.242 asset)

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 24 October 2013 which has an interest installement in every 6 months period and has a USLibor+0,325 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.170.000 and the interest rate to TRLibor+0,40 with a once in a 3 month interest installment while the USD foreign exchange rate is fixed to TL 2,0085. As of 31 December 2014, Company has a total asset of TL 4.454.548 arising from this swap transaction. (31 December 2013 : TL 1.501.689 Asset)

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 8 November 2013 which has an interest installement in every 6 months period and has a USLibor+0,325 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 40.170.000 and the interest rate to TRLibor+0,40 with a once in a 3 month interest installment while the USD foreign exchange rate is fixed to TL 2,0085. As of 31 December 2013, Company has a total asset of TL 4.656.587 arising from this swap transaction. (31 December 2013: TL 2.967.578 Asset)

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 40 million amounting borrowing used on 24 March 2014 which has an interest installement in every 6 months period and has a USLibor+0,295 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 89.280.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchange rate is fixed to TL 2,2320. As of 31 December 2014, Company has a total liability of TL 6.351.604 arising from this swap transaction.

In order to mitigate the floating interest rate and foreign currency risk of the 4 year-term USD 20 million amounting borrowing used on 30 April 2014 which has an interest installement in every 6 months period and has a USLibor+0,295 interest rate, the Company entered into cross currency and interest swap contracts. In accordance with the swap contract, the Company fixed the total borrowing to TL 44.700.000 and the interest rate to 11,9 % with a once in a 6 month interest installment while the USD foreign exchange rate is fixed to TL 2,2350. As of 31 December 2014, Company has a total asset of TL 2.822.541 arising from this swap transaction.

Quoted prices in markets for similar instruments are used as a basis in valuation of derivative instruments.

During the current period, TL 9.789.070 (2013: TL 10.277.936 income) income has been accounted for relating with the derivative financial instruments that are due.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

As of the balance sheet date, the Company’s trade receivables are as follows:

	31 December 2014	31 December 2013
<u>Short-term trade receivables</u>		
Trade receivables	503.610.114	432.190.639
Notes receivable	19.797.517	12.893.426
Trade receivables from related parties (Note 24)	22.680.281	20.367.562
Unearned credit finance income	(5.669.430)	(3.838.561)
Doubtful receivables provision (-)	(7.778.606)	(7.408.925)
	<u>532.639.876</u>	<u>454.204.141</u>
	31 December 2014	31 December 2013
<u>Long-term trade receivables</u>		
Trade receivables	19.206.703	5.847.250
	<u>19.206.703</u>	<u>5.847.250</u>

As of 31 December 2014 and 2013, the maturities of trade receivables are 72 days on average and they are discounted with average annual interest rates of 8,88% and 7,19%, respectively.

As of 31 December 2014, the trade receivables amounting to TL 22.373.805 (2013: TL 24.198.104) were past due but not impaired. The aging of these receivables as of 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Between 0 - 1 months	16.000.091	17.215.333
Between 1 - 3 months	2.134.348	2.947.242
Between 3 - 12 months	4.239.366	4.035.529
	<u>22.373.805</u>	<u>24.198.104</u>

As of 31 December 2014, the trade receivables amounting to TL 7.778.606 (2013: TL 7.408.925) were impaired and provided for.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

6. TRADE RECEIVABLES AND PAYABLES (Cont’d)

Movements in provision for doubtful receivables as of 31 December 2014 and 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	7.408.925	7.105.724
Period charge	598.198	303.201
Collections	(228.517)	-
Closing balance	<u>7.778.606</u>	<u>7.408.925</u>

Trade Payables

As of the balance sheet date, the Company’s trade payables detail is as follows:

	31 December 2014	31 December 2013
<u>Short-term trade payables</u>		
Trade payables	155.337.940	131.776.791
Trade payables to related parties (Note 24)	54.299.758	58.731.786
Unrealised credit finance expense	(301.400)	(184.564)
	<u>209.336.298</u>	<u>190.324.013</u>

As of 31 December 2014 and 2013, the maturities of trade payables are 43 and 40 days on average and they are discounted with average annual interest rates of 8.88% and 7,19% respectively. The Company has financial risk management policy in order to manage the maturity structure of liabilities.

7. OTHER RECEIVABLES AND PAYABLES

Other Receivables

	31 December 2014	31 December 2013
<u>Other Short-term Receivables</u>		
Other receivables from related parties (Note 24)	1.433.134	2.068.975
Receivables from tax office	4.234.533	2.875.056
Due from personnel	4.553.940	1.847.037
Restricted cash	-	1.350.000
Other	674.326	176.347
	<u>10.895.933</u>	<u>8.317.415</u>
	31 December 2014	31 December 2013
<u>Other Long-term Receivables</u>		
Deposits and guarantees given	100.421	98.415
	<u>100.421</u>	<u>98.415</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

7. OTHER RECEIVABLES AND PAYABLES (Cont’d)

Other Payables

	31 December 2014	31 December 2013
<u>Other Short-term Payables</u>		
Other payables to public authorities	2.125.077	1.677.205
Other payables to related parties (Note 24)	240.182	260.151
	<u>2.365.259</u>	<u>1.937.356</u>

8. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	46.048.334	37.578.582
Materials and supplies	44.970.465	39.522.354
Semi-finished goods	16.315.788	15.286.499
Finished goods	81.850.405	74.950.011
Trade goods	63.816.961	41.261.816
Goods in transit	60.950.989	71.287.096
Other inventories	-	1.247.302
	<u>313.952.942</u>	<u>281.133.660</u>

The foreign exchange gain arising from derivative financial instruments amounting to TL7.553.556 has been deducted from inventories during the year and as of 31 December 2014, TL 946,323 is included in inventories (2013: Respectively TL 22.807.029 foreign exchange gain and year-end TL 4.242.020 gain).

9. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2014	31 December 2013
<u>Short-term Prepaid Expenses</u>		
Advances given to dealers (*)	37.104.504	21.871.012
Prepaid expenses	5.071.987	3.029.384
Advances given to suppliers	1.758.391	912.273
	<u>43.934.882</u>	<u>25.812.669</u>

(*) Consists of advances given to dealers which are to be offset with sales premiums.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

9. PREPAID EXPENSES AND DEFERRED INCOME (Cont’d)

	31 December 2014	31 December 2013
<u>Long-term Prepaid Expenses</u>		
Advances given for fixed assets	11.264.722	6.504.391
Prepaid expenses	3.383.512	-
	<u>14.648.234</u>	<u>6.504.391</u>
	31 December 2014	31 December 2013
<u>Short-term Deferred Income</u>		
Advances received	5.023.213	5.305.363
Deferred income	2.437.884	293.255
	<u>7.461.097</u>	<u>5.598.618</u>
	31 December 2014	31 December 2013
<u>Long-term Deferred Income</u>		
Deferred income	1.649.449	1.130.662
	<u>1.649.449</u>	<u>1.130.662</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

10. PROPERTY, PLANT AND EQUIPMENT

	1 January				31 December
	2014	Additions	Transfers	Disposals	2014
Cost					
Land and land improvements	16.234.945	-	191.900	(136.657)	16.290.188
Buildings	229.150.190	134.369	5.261.362	-	234.545.921
Machinery and equipment	1.253.049.349	404.910	111.725.411	(1.942.973)	1.363.236.697
Motor vehicles	4.076.661	274.706	231.119	(45.008)	4.537.478
Furniture and fixtures	47.920.087	5.383.635	3.267.358	(1.194.096)	55.376.984
Other fixed assets	32.956.374	11.994.513	2.676.041	(66.898)	47.560.030
Construction in progress	45.782.008	138.451.826	(128.272.939)	-	55.960.895
	1.629.169.614	156.643.959	(4.919.748)	(3.385.632)	1.777.508.193
Accumulated depreciation					
Land and land improvements	10.389.653	167.620	-	-	10.557.273
Buildings	132.825.557	7.815.995	-	-	140.641.552
Machinery and equipment	950.833.001	70.798.553	-	(1.942.973)	1.019.688.581
Motor vehicles	2.648.641	458.320	-	(45.008)	3.061.953
Furniture and fixtures	18.400.428	4.598.999	-	(853.595)	22.145.832
Other fixed assets	11.650.183	4.569.537	-	(39.720)	16.180.000
	1.126.747.463	88.409.024	-	(2.881.296)	1.212.275.191
Net book value	502.422.151	68.234.935	(4.919.748)	(504.336)	565.233.002

In the year ended 31 December 2014, TL 70.690.214 of the depreciation expense is charged to “cost of goods sold”, TL 1.468.486 is charged to “research and development expenses”, TL 9.740.109 is charged to “selling and marketing costs”, TL 2.318.350 charged to general administrative expenses” and TL 4.191.865 of the depreciation expense is charged to “inventories”.

As of 31 December 2014 there are no mortgages on property, plant and equipment and intangible assets (2013: None).

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

10. PROPERTY, PLANT AND EQUIPMENT (Cont’d)

	1 January				31 December
	2013	Additions	Transfers	Disposals	2013
Cost					
Land and land improvements	16.449.248	-	-	(214.303)	16.234.945
Buildings	219.810.129	-	9.712.885	(372.824)	229.150.190
Machinery and equipment	1.133.789.512	61.061	121.723.164	(2.524.388)	1.253.049.349
Motor vehicles	3.666.587	798.671	3.294	(391.891)	4.076.661
Furniture and fixtures	36.111.504	4.427.496	7.414.334	(33.247)	47.920.087
Other fixed assets	21.820.373	10.394.798	753.072	(11.869)	32.956.374
Construction in progress	104.846.251	87.916.816	(146.981.059)	-	45.782.008
	1.536.493.604	103.598.842	(7.374.310)	(3.548.522)	1.629.169.614
Accumulated depreciation					
Land and land improvements	10.226.993	162.660	-	-	10.389.653
Buildings	125.894.251	7.153.373	-	(222.067)	132.825.557
Machinery and equipment	891.255.877	62.003.885	-	(2.426.761)	950.833.001
Motor vehicles	2.649.064	352.234	-	(352.657)	2.648.641
Furniture and fixtures	14.884.062	3.521.027	-	(4.661)	18.400.428
Other fixed assets	8.694.759	2.955.671	-	(247)	11.650.183
	1.053.605.006	76.148.850	-	(3.006.393)	1.126.747.463
Net book value	482.888.598	27.449.992	(7.374.310)	(542.129)	502.422.151

In the year ended 31 December 2013, TL 60.803.574 of the depreciation expense is charged to “cost of goods sold”, TL 1.383.043 is charged to “research and development expenses”, TL 6.893.920 is charged to “selling and marketing costs”, TL 1.883.305 is charged to general administrative expenses” and TL 5.185.008 of the depreciation expense is charged to “inventories”.

11. INTANGIBLE ASSETS

	1 January			31 December
	2014	Additions	Transfers	2014
Cost				
Rights	52.980.869	10.539.722	-	63.520.591
Other intangible assets	34.080.430	983.119	4.919.748	39.983.297
	87.061.299	11.522.841	4.919.748	103.503.888
Accumulated depreciation				
Rights	33.721.045	6.365.691	-	40.086.736
Other intangible assets	19.145.403	3.921.910	-	23.067.313
	52.866.448	10.287.601	-	63.154.049
Net book value	34.194.851	1.235.240	4.919.748	40.349.839

In the year ended 31 December 2014, TL 1.416.671 of the amortisation expense is charged to “cost of goods sold”, TL 38.272 is charged to “research and development expenses”, TL 6.997.185 is charged to “selling and marketing costs”, TL 1.751.467 expense is charged to “general administrative expenses” and TL 84.006 is included in “inventories”.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

11. INTANGIBLE ASSETS (Cont’d)

	1 January 2013	Additions	Transfers	31 December 2013
Cost				
Rights	46.994.762	5.644.627	341.480	52.980.869
Other intangible assets	25.726.217	1.321.383	7.032.830	34.080.430
	72.720.979	6.966.010	7.374.310	87.061.299
Accumulated depreciation				
Rights	28.431.783	5.289.262	-	33.721.045
Other intangible assets	16.796.922	2.348.481	-	19.145.403
	45.228.705	7.637.743	-	52.866.448
Net book value	27.492.274	(671.733)	7.374.310	34.194.851

In the year ended 31 December 2013, TL 1.113.698 of the amortisation expense is charged to “cost of goods sold”, TL 112.227 is charged to “research and development expenses”, TL 5.550.557 is charged to “selling and marketing costs”, TL 766.291 expense is charged to “general administrative expenses” and TL 94.970 is included in “inventories”.

12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions

	31 December 2014	31 December 2013
Short-term provisions		
Provision for lawsuits (i)	2.356.947	1.872.348
Provision for warranty claims (ii)	487.633	625.069
Other	466.409	608.264
	3.310.989	3.105.681

- (i) Provision for lawsuits consists of reemployment and occupational accident lawsuits against Company.
- (ii) The provision for warranty claims represents the present value of management’s best estimate of the future outflow of economic benefits that will be required under the Company’s 24-month warranty program for tires. The estimate has been made on the basis of historical warranty expenses.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)

Provisions (Cont’d)

Movements of provisions during the period are as follows:

	Sales discount premium	Lawsuits	Warranty claims	Other	Total
1 January 2014	-	1.872.348	625.069	608.264	3.105.681
Additions	-	1.696.771	686.734	30.088	2.413.593
Payments/ reversals	-	(1.212.172)	(824.170)	(171.943)	(2.208.285)
31 December 2014	-	2.356.947	487.633	466.409	3.310.989
	Sales discount premium	Lawsuits	Warranty claims	Other	Total
1 January 2013	298.000	1.076.952	713.503	808.210	2.896.665
Additions	-	1.282.053	583.518	40.228	1.905.799
Payments/ reversals	(298.000)	(486.657)	(671.952)	(240.174)	(1.696.783)
31 December 2013	-	1.872.348	625.069	608.264	3.105.681

13. COMMITMENTS

	31 December 2014	31 December 2013
Guarantees Received		
Direct debiting system limits	231.503.287	226.669.173
Letter of guarantees received	176.586.499	141.374.299
Export insurance	34.979.501	41.401.237
Mortgages	31.299.299	38.189.334
Cheques and notes receivables received as guarantee	11.216.265	13.610.855
Letter of credit	2.535.103	933.289
Export factoring	1.798.050	1.755.700
Payment guarantees obtained from banks	6.406.524	8.868.900
Foreign currency blockage received as guarantee	1.705.981	859.820
	498.030.509	473.662.607

The Company has obtained bank collaterals and guarantee cheques and notes from its suppliers due to advances given to suppliers for purchases of goods and services.

In addition, the Company has guarantees comprising letters of guarantee received to minimise customer credit risk in forward sales made to domestic customers, encumbrances, debentures and limits for government debt securities allocated to customers through banks and export insurance, bank letters of guarantee, letters of credit, cash blockage and export factoring for trade receivables due from foreign customers on the basis of credit risk management.

Company’s total guarantees received from international export insurance company in order to carry out open account transactions with overseas customers have been disclosed as export insurance while the guarantees taken from factoring companies have been accounted for as factoring amount.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

13. COMMITMENTS (Cont’d)

Collaterals, Pledges and Mortgages given by the Company:

As of 31 December 2014 and 2013 collaterals, pledges and mortgages (“CPM”) given by the Company is as follows:

CPM given by the Company	Currency	2014		2013		
		Amount	TL Equivalent	Currency	Amount	TL Equivalent
A. Total of CPMs given on behalf of own legal personality	TL	10.830.242	10.830.242	TL	10.381.397	10.381.397
	USD	589.634	1.367.302	USD	1.340.666	2.861.383
	Euro	2.024.780	5.711.297	Euro	2.024.780	5.945.766
B. Total of CPMs given on behalf of subsidiaries consolidated in full	-	-	-	-	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM						
i) Total amount of CPM given on behalf of the majority shareholder	-	-	-	-	-	-
ii) Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C	-	-	-	-	-	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			17.908.841			19.188.546

The ratio of other CPM to equity is 0% (2013: 0%).

There are no CPMs given by the Company on behalf of third parties, other than those given on behalf of the Company itself. The guarantees given by the Company comprise guarantees to customs office for import transactions made under the inward processing certificate, guarantees to executive offices for labour matters, guarantees to several governmental institutions to participate in several tenders.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

14. EMPLOYEE BENEFITS

Payables related to employee benefits

	31 December 2014	31 December 2013
Accrued salaries and wages	2.312.199	2.001.170
Accrued social security premiums	5.316.568	4.097.875
Withholding personnel income tax	5.275.694	4.331.587
Accrued private pension premiums	-	69.442
	12.904.461	10.500.074

Short-term provisions for employee benefits

	31 December 2014	31 December 2013
Bonus accruals	9.572.668	5.780.000
Unused vacation pay provision	3.087.263	2.466.313
	12.659.931	8.246.313

	Bonus accruals	Unused vacation pay	Total
1 January 2014	5.780.000	2.466.313	8.246.311
Addition	9.572.668	7.141.383	16.714.051
Payments/Cancellations	(5.780.000)	(6.520.433)	(12.300.433)
31 December 2014	9.572.668	3.087.263	12.659.929
	Bonus accruals	Unused vacation pay	Total
1 January 2013	3.671.315	1.863.416	5.534.731
Addition	5.780.000	6.348.537	12.128.537
Payments/Cancellations	(3.671.315)	(5.745.642)	(9.416.957)
31 December 2013	5.780.000	2.466.311	8.246.311

Provision for retirement pay liability:

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of TL 3.438,22 for each period of service at 31 December 2014 (31 December 2013: TL 3.254,44).

The liability is not funded, as there is no funding requirement. The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company’s defined benefit plan and legal framework in which those companies operate.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

14. EMPLOYEE BENEFITS (Cont’d)

Provision for retirement pay liability (cont’d):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly actuarial assumptions used in the calculation of the total liability as these actuarial assumptions are detailed below:

	31 December 2014	31 December 2013
Discount rate (%)	3,30	3,60
Retirement probability (%)	100,00	100,00

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi - annually, the maximum amount of TL 3.541,37 effective from 1 January 2015 (1 January 2014: TL 3.438,22) has been taken into consideration in calculation of provision from employee termination benefits.

The movement of employee termination benefits is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
1 January	34.280.701	30.361.966
Service cost	5.177.770	5.894.828
Interest cost	1.131.263	1.093.031
Actuarial loss	1.388.959	-
Payments during the year	(3.587.412)	(3.069.124)
31 December	38.391.281	34.280.701

15. OTHER ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
<u>Other Current Assets</u>		
Deferred VAT	11.591.874	17.856.488
Other current assets	224.483	-
	11.816.357	17.856.488

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

The Company’s authorised and issued capital consists of 30.511.687.500 shares at Kr 1 nominal value each (2013: 30.511.687.500 shares). All shares are paid and there is no preferred stock. The Company’s shareholders and their shareholdings at 31 December 2014 and 2013 are as follows:

Shareholders	(%)	2014	(%)	2013
H.Ö. Sabancı Holding A.Ş.	43,63	133.111.388	43,63	133.111.388
Bridgestone Corporation	43,63	133.111.388	43,63	133.111.388
Other	12,74	38.894.099	12,74	38.894.099
Total paid-in share capital	100,00	305.116.875	100,00	305.116.875

Restricted reserves and retained earnings

As of 31 December 2014 profit reserves comprise the legal reserves amounting to TL 66.032.094 (2013: TL 48.631.690).

The Company’s equity table to be considered as a basis for profit distribution is as follows:

	31 December 2014	31 December 2013
Restricted reserves	66.032.094	48.631.690
Net income for the period	186.319.625	144.348.171
Retained earnings	6.972.485	6.916.230
Total equity	259.324.204	199.896.091

Dividend Distribution:

Public companies distribute profit in accordance with Profit Share Communiqué no II-19.1 issued by CMB effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

17. SALES AND COST OF GOODS SOLD

Revenue	1 January- 31 December 2014	1 January- 31 December 2013
Sales	1.945.231.020	1.711.248.863
Sales returns (-)	(10.533.343)	(6.404.958)
Sales discounts (-)	(200.125.423)	(180.481.896)
Other sales discounts (-)	(41.074.630)	(34.870.351)
Net sales	1.693.497.624	1.489.491.658
Cost of sales	(1.206.123.114)	(1.098.300.837)
Gross profit	487.374.510	391.190.821

18. EXPENSES BY NATURE

	1 January- 31 December 2014	1 January- 31 December 2013
Raw materials used	723.901.910	655.039.057
Personnel expenses	236.497.535	201.899.957
Cost of trade goods sold	148.960.618	151.405.125
Depreciation and amortization	94.420.754	78.506.615
Production overheads	94.409.961	72.211.348
Advertisement expenses	69.050.801	61.065.661
Royalty expenses	20.351.965	18.260.286
Transportation and storage expenses	12.528.580	9.265.641
Communication and information technology expenses	7.854.839	6.721.347
Insurance expenses	2.699.395	3.324.076
Energy expenses	2.578.380	2.795.034
Claims for defective tires	1.797.297	1.901.523
Change in finished goods	(4.239.051)	8.615.397
Change in work in progress	(4.116.783)	(406.159)
Other	52.990.268	45.755.081
	1.459.686.469	1.316.359.989

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

18. EXPENSES BY NATURE (Cont’d)

The functional breakdown of depreciation, amortisation and personnel expenses is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Depreciation and amortization expenses	94.420.754	78.506.615
Cost of sales	72.106.885	61.917.272
Marketing, selling and distribution expenses	16.737.294	12.444.477
General administrative expenses	4.069.817	2.649.596
Research and development expenses	1.506.758	1.495.270

	1 January- 31 December 2014	1 January- 31 December 2013
Personnel expenses	236.497.535	201.899.957
Cost of sales	174.865.722	149.518.624
General administrative expenses	27.363.642	24.001.271
Marketing, selling and distribution expenses	24.926.857	20.710.247
Research and development expenses	9.341.314	7.669.815

19. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income for years ended 31 December 2014 ve 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Finance income on credit sales	28.046.726	22.701.049
Interest income on credit sales	9.307.355	4.715.486
Interest income	109.767	34.656
Foreign exchange gains on operations, net (*)	-	10.028.368
Other income	5.483.460	3.991.090
	42.947.308	41.470.649

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

19. OTHER OPERATING INCOME AND EXPENSES (Cont’d)

Details of other operating expenses for years ended 31 December 2014 ve 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Due date expenses on trade payables	7.000.153	4.088.526
Foreign exchange losses on operations, net (*)	2.264.161	-
Loss from derivative financial instruments, net	606.182	2.753.015
Other expenses	3.154.390	2.643.913
	<u>13.024.886</u>	<u>9.485.454</u>

(*) The amount consists of the foreign exchange gains and losses resulting from trade receivables and payables.

20. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January- 31 December 2014	1 January- 31 December 2013
Income from Investing Activities		
Gain on sale of property, plant and equipment	168.245	947.914
	<u>168.245</u>	<u>947.914</u>
Expenses from Investing Activities		
Loss on sale of property, plant and equipment	453.277	392.222
	<u>453.277</u>	<u>392.222</u>

21. FINANCIAL EXPENSES

	1 January- 31 December 2014	1 January- 31 December 2013
Interest expenses on borrowings	52.755.737	40.937.722
Foreign currency losses / (gains) on borrowings, net	(629.400)	10.410.200
Interest expenses of financial leasing	36.730	67.412
	<u>52.163.067</u>	<u>51.415.334</u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

22. TAXATION ON INCOME

Corporate tax

	31 December 2014	31 December 2013
Corporate tax payable	19.774.409	21.926.849
Less: Prepaid taxes (*)	<u>(19.774.409)</u>	<u>(21.926.849)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

(*) As of 31 December 2014 and 31 December 2013, the exceeding prepaid corporate tax amount of TL 213.263 and TL 8.501.520 is accounted for under Assets Related to Current Tax.

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2014 is 20% (2013: 20%) for the Company.

	1 January- 31 December 2014	1 January- 31 December 2013
Current period corporate tax expense	19.774.409	21.926.849
Deferred tax expense / (income)	5.191.444	(12.017.798)
	<u><u>24.965.853</u></u>	<u><u>9.909.051</u></u>

Current period tax reconciliation for the years ended 31 December 2014 and 2013 is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
<u>Current tax provision reconciliation:</u>		
Profit before taxation on income	211.285.478	154.257.222
Income tax rate %20 (2013: %20)	(42.257.096)	(30.851.444)
Tax effect:		
- non-taxable income	531.206	465.227
- non-deductible expenses	(375.755)	(386.856)
- reduced corporate tax (Note 2)	17.135.792	20.864.022
Tax expense	<u><u>(24.965.853)</u></u>	<u><u>(9.909.051)</u></u>

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

22. TAXATION ON INCOME (Cont’d)

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TMS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TMS and tax purposes and they are given below.

Tax rates used for deferred income tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method are 20% in Turkey (2013: 20%).

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred income tax has been provided at 31 December 2014 and 2013 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Deferred tax assets				
Provision for employment termination benefits	38.391.281	34.280.701	7.678.256	6.856.140
Allowance for doubtful receivables	4.101.636	4.101.636	820.327	820.327
Trade receivables	4.252.432	2.934.778	850.486	586.956
Derivative instruments	63.461.167	85.475	12.692.233	17.095
Provision for unused vacation liability	3.087.263	2.466.313	617.453	493.263
Provision for bonus provision	9.572.668	5.780.000	1.914.534	1.156.000
Provision for lawsuits	2.356.947	1.872.348	471.389	374.470
Provision for warranty claims	487.633	625.069	97.527	125.014
Inventories	-	5.099.907	-	1.019.981
Investment incentive (Note 2)	-	-	13.377.449	13.377.449
	125.711.027	57.246.227	38.519.654	24.826.695
Deferred tax liabilities				
Property, plant and equipment	76.562.099	49.680.823	15.312.420	9.936.165
Inventories	2.659.253	-	531.851	-
Trade payables	301.400	184.564	60.280	36.913
Derivative instruments	49.701.285	13.707.879	9.940.257	2.741.576
	129.224.037	63.573.266	25.844.808	12.714.654
Deferred tax assets, net			12.674.846	12.112.041

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

22. TAXATION ON INCOME (Cont’d)

Deferred tax (cont’d)

The movements in deferred income tax assets / (liabilities) for the years ended 31 December 2014 and 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening as of 1 January	12.112.041	2.979.027
Recognised in profit or loss statement	(5.191.444)	12.017.798
Recognised in equity	5.754.249	(2.884.784)
Closing as of 31 December	<u><u>12.674.846</u></u>	<u><u>12.112.041</u></u>

Investment incentive certificate:

In accordance with the 40613 No. Letter on 10 June 2013 from T. C. Ministry of Economy Promoting Implementation and Foreign Investment General Directorate, within the scope of No: 5534 Regional Incentive Applications dated 1 June 2010, in place of existing Investment Incentive Certificate amounting to TL 366.623.571, as a part of Large Scale Investments; Investment Incentive Certificate No. 5534/B amounting to TL 481.014.717 has been arranged. With the amendment mentioned above, the investment amount rose TL 114.391.146 thus increasing the investment contribution rate from 20% to 30%. Tax deduction rate is 50%.

The Company utilized reduced corporate tax amounting to TL 3.595.455 for the years ended between 31 December 2010 and 2013 and TL 4.277.283 for the year ended 31 December 2014.

The Company estimates to utilize TL 115.914.071 reduced corporate tax in the future. In addition to this, as the Company estimates to utilize the related benefit within 20 years, for the foreseeable 3 years a deferred income tax asset of TL 13.377.449 has been accounted for in the context of prudence.

The Company’s application to T.C. Ministry of Economy Incentive Implementation and Foreign Capital Department for investment incentive in accordance with the investment decision of a second production plant construction in Aksaray Organized Industrial Zone has been approved and as of 13 February 2014, 113798 No. of Investment Incentive Certificate has been drawn up for the plant construction amounting to TL 495.000.000 that had started on 9 October 2013. Provided investment contribution rate is 60% while the tax deduction rate is 90%. In accordance with the incentive mentioned above, Company utilized a reduced corporate tax of TL 5.156.089 for the secondary manufacturing plant investment to be located in the Aksaray Organized Industrial Zone. The Company utilized reduced corporate tax amounting to TL 12.858.509 for the year ended 31 December 2014.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

23. EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class outstanding during the year.

	31 December 2014	31 December 2013
Total number of ordinary shares	30.511.687.500	30.511.687.500
Net profit	186.319.625	144.348.171
Legal reserves	8.253.463	6.236.836
Earnings per usufruct shares (TL)	105.643	77.129
Earnings per ordinary shares (TL)	0,549	0,427

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties as of 31 December 2014 mostly consist of sales transactions and have average maturity of 43 days (2013: 39).

Due to related parties as of 31 December 2014 mostly consist of purchase transactions and have average maturity of 44 days (2013: 37). No interest is charged for payables.

Balances with related parties	31 December 2014			
	Receivables		Payables	
	Short-term		Short-term	
	Trade	Non-trade	Trade	Non-trade
<u>Shareholders</u>				
Bridgestone Corporation	8.600.173	1.055.652	7.453.609	208.851
<u>Other related parties</u>				
Bridgestone Singapore Pte. Ltd.	-	-	17.352.599	-
Bridgestone (Shenyang) Steel Cord	-	-	5.277.959	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş	-	-	12.705.545	23.523
Enerjisa Enerji Üretim A.Ş.	-	-	5.097.316	-
Temsa Global San.ve Tic. A.Ş.	2.703.304	-	36.992	-
Birlas Motor Sporları Otom. Ltd.Şti.	4.020.890	-	10.423	-
Bridgestone Europe S.A/N.V.	-	376.818	1.455.153	-
Akbank T.A.Ş.	6.974.501	-	-	-
Other	381.413	664	4.910.162	7.808
	<u>22.680.281</u>	<u>1.433.134</u>	<u>54.299.758</u>	<u>240.182</u>

Due from Akbank T.A.Ş. consists of credit card receivables.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

Balances with related parties	31 December 2013			
	Receivables		Payables	
	Short-term		Short-term	
	Trade	Non-trade	Trade	Non-trade
Shareholders				
H.Ö. Sabancı Holding	-	-	7.270	-
Bridgestone Corporation	12.864.031	1.998.076	1.853.801	203.929
Other related parties				
Bridgestone Singapore Pte. Ltd.	-	-	28.392.271	-
Bridgestone (Shenyang) Steel Cord	-	-	4.945.884	-
Kordsa Global End.İpk Kord Bezi San.Tic.A.Ş	-	-	13.285.684	19.777
Enerjisa Enerji Üretim A.Ş.	-	-	5.334.565	-
Temsa Global San.ve Tic. A.Ş.	2.088.985	-	-	-
Birlas Motor Sporları Otom. Ltd.Şti.	5.218.281	-	10.423	-
Akbank T.A.Ş.	46.990	-	-	-
Other	149.275	70.899	4.901.888	36.445
	20.367.562	2.068.975	58.731.786	260.151

	1 January- 31 December 2014	1 January- 31 December 2013
Sales of finished goods and commercial goods		
Shareholders		
Bridgestone Corporation	123.327.683	89.101.410
Other related parties		
Birlas Motor Sporları Otom.Ltd.Şti.	10.797.695	11.548.876
Temsa Global San.ve Tic. A.Ş.	7.462.247	5.252.494
Other	542.394	423.940
	142.130.019	106.326.720
Other sales		
Shareholders		
Bridgestone Corporation	2.663.652	2.993.779
Other related parties		
Other	762.410	178.895
	3.426.062	3.172.674

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

	1 January- 31 December 2014	1 January- 31 December 2013
Purchases of Raw Materials and Semi Finished Goods		
Shareholders		
Bridgestone Corporation	2.740.960	2.868.182
Other related parties		
Bridgestone Singapore Pte. Ltd.	183.265.709	210.006.631
Kordsa Glb End. İpl. Kordbezi San. Tic. A.Ş.	52.749.614	45.280.492
Bridgestone (Shenyang) Steel Cord Co.	20.016.507	15.877.166
Bridgestone (Huizhou) Synthetic Rubco. Ltd.	10.234.111	11.184.468
Firestone Polymers, LLC.	6.582.956	8.241.456
Bridgestone Carbon Black Co. Ltd.	1.574.185	1.657.420
Other	1.719.530	3.472.275
	278.883.572	298.588.090
	1 January- 31 December 2014	1 January- 31 December 2013
Purchases of finished goods and commercial goods		
Shareholders		
Bridgestone Corporation	91.378.222	114.548.800
Other related parties		
Bridgestone Europe SA./N.V.	58.311.735	29.463.719
Enerjisa Enerji Üretim A.Ş.	42.942.607	40.578.580
Other	243.070	3.097.512
	192.875.634	187.688.611
	1 January- 31 December 2014	1 January- 31 December 2013
Purchase of services		
Shareholders		
Bridgestone Corporation	4.986	470.890
H. Ö. Sabancı Holding A.Ş.	234.041	152.009
Other related parties		
Aksigorta A.Ş.	9.312.483	8.056.411
Vista Turizm ve Seyahat A.Ş.	7.130.531	3.262.579
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	6.744.712	5.893.532
Lasder Lastik San. Derneği İktisadi İşletmesi	5.751.949	4.582.161
Other	3.761.213	3.231.025
	32.939.915	25.648.607

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

	1 January- 31 December 2014	1 January- 31 December 2013
Rent expense		
Shareholders		
H. Ö. Sabancı Holding A.Ş.	288.816	276.432
Other related parties		
Exsa Export Sanayi Mamulleri A.Ş.	357.600	-
Teknosa İç ve Dış Ticaret A.Ş.	32.554	29.904
Aksigorta A.Ş.	11.358	42.300
Temsa San. ve Tic. A.Ş.	-	338.085
	690.328	686.721
Purchase of fixed assets		
Shareholders		
Bridgestone Corporation	11.023.127	1.895.932
Other related parties		
Bimsa Uluslararası İş. Bilgi ve Yön. Sis. A.Ş.	2.826.383	2.672.115
Bridgestone Plant Eng.	2.277.775	2.616.767
Other	1.020.356	2.146.831
	17.147.641	9.331.645
Commission expense (Sales premium and Royalty)		
Shareholders		
Bridgestone Corporation	20.351.965	18.260.286
Other related parties		
Birlas Motor Sporları Otom. Ltd.Şti.	567.922	2.104.896
Other	40.930	7.550
	20.960.817	20.372.732

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Cont’d)

	31 December 2014	31 December 2013
Demand deposits		
Akbank T.A.Ş.	6.622.797	5.555.103
	6.622.797	5.555.103
Financial liabilities		
Akbank T.A.Ş.	3.870.756	2.934.617
	3.870.756	2.934.617
	31 December 2014	31 December 2013
Advances given		
Vista Turizm ve Seyahat A.Ş.	646.198	279.050
Birlas Motor Sporları Otom. Ltd.Şti.	-	502.424
	646.198	781.474
Guarantees received		
Birlas Motor Sporları Otom. Ltd.Şti.	805.608	2.990.000
Other	-	205.000
	805.608	3.195.000
	1 January- 31 December 2014	1 January- 31 December 2013
Finance income		
Akbank T.A.Ş.	70.335	-
	70.335	-
Finance expenses		
Akbank T.A.Ş.	376.912	1.877.432
	376.912	1.877.432

Key management personnel include members of the board of directors, executive board members. The compensation of key management are as follows; Salary, pensions, insurances, rent and relocation expenses, vehicle rents, fue and cell phones etc. The remuneration of key managements for the year ended 31 December 2014 and 2013 are as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Key management compensation:		
Salaries and other short-term benefits	4.117.653	3.810.573
Employment termination benefits	15.135	20.349
Other long-term benefits	86.755	82.671
	4.219.543	3.913.593

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by Budget and Finance Directorship of Brisa under policies approved by the board of directors. Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Company’s operating units.

(a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below depicts the cash outflows the Company will pay for the financial liabilities in the balance sheet in accordance with the remaining maturities. The amounts in the table are contractual and non-discounted. The Company performs its liquidity risk management by considering expected non-discounted cash flows.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(a) Liquidity risk (cont’d)

As of 31 December 2014 and 2013, liquidity risk analysis of the financial liabilities of the Company is as follows:

<u>Contractual maturities</u>	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities						
Financial liabilities	722.751.400	791.412.783	147.382.260	123.752.472	520.278.051	-
Financial lease obligations	95.951	96.701	96.701	-	-	-
Trade payables	209.336.298	209.637.698	209.637.698	-	-	-
Other payables	78.742.467	78.742.467	35.614.474	3.087.263	40.040.730	-
Total liabilities	1.010.926.116	1.079.889.649	392.731.133	126.839.735	560.318.781	-

<u>Contractual maturities</u>	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>
Derivative cash outflows	620.929	620.929	435.511	185.418	-	-
	620.929	620.929	435.511	185.418	-	-

31 December 2013

<u>Contractual maturities</u>	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities						
Financial liabilities	580.460.757	612.125.449	6.771.650	267.315.432	338.038.367	-
Financial lease obligations	1.288.820	1.328.611	306.518	919.553	102.540	-
Trade payables	190.324.013	190.508.577	190.508.577	-	-	-
Other payables	64.799.405	64.799.405	26.921.729	2.466.313	35.411.363	-
Total liabilities	836.872.995	868.762.042	224.508.474	270.701.298	373.552.270	-

<u>Contractual maturities</u>	<u>Carrying value</u>	<u>Contractual cash flows</u>	<u>Less than 3 months</u>	<u>3 - 12 months</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>
Derivative cash inflows	8.237.629	8.237.629	2.489.963	5.747.666	-	-
	8.237.629	8.237.629	2.489.963	5.747.666	-	-

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market risk

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. To keep these exposures at a minimum level, the Company tries to borrow at the most suitable rates.

Interest rate risk table of the Company as of 31 December 2014 and 2013 is as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Financial instruments with fixed interest rate		
Financial liabilities	629.995.400	499.023.296
Financial instruments with floating interest rate		
Financial liabilities	92.756.000	81.437.461

At 31 December 2014, if interest rates on TL denominated borrowings had been 5% higher/lower with all other variables held constant, post-tax profit for the year would have been TL 435.987 (2013: TL 54.873) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira. Foreign Exchange risk is monitored with an analysis of foreign exchange positions. In addition, the company aims to reduce foreign exchange risk arising from assets and liabilities by using currency forward instruments.

The Company has documented officially its currency risk policy practices and derivative transactions under its “Currency Risk Hedge Policy”, and performs this practice according to the rules and limits stated in the document and approved by senior management.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market risk (cont’d)

Derivative financial instruments

The derivative financial instruments of the Company consist of foreign exchange forward contracts. Such contracts while providing effective economic hedges for the associated risks also qualify for hedge accounting under the requirements of TAS 39 “Financial Instruments: Recognition and Measurement” thus they are accounted for as hedging derivatives financial instruments in the financial statements.

The Company presents the gains and losses relating to the hedging transactions under equity as “hedge reserves”.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Foreign Currency Position

The Company’s assets and liabilities denominated in foreign currencies at 31 December 2014 and 2013 are as follows:

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market risk (cont’d)

Foreign currency position table

	TL Equivalent (Functional currency)	31 December 2014			
		US Dollar	Euro	JPY	GBP
Cash and cash equivalents	6.427.497	1.733.511	778.955	481.870	55.932
Trade receivables	25.097.392	4.648.920	4.048.666	-	805.578
Trade receivables from related parties	8.700.271	-	3.084.437	-	-
Other receivables from related parties	1.539.402	428.639	179.773	-	10.663
Prepaid expenses	1.628.197	243.244	374.680	288.837	470
Current Assets	43.392.759	7.054.314	8.466.511	770.707	872.643
Trade receivables	34.669	13.845	-	-	713
Prepaid expenses	331.445	-	-	-	92.168
Non-Current Assets	366.114	13.845	-	-	92.881
Total Assets	43.758.873	7.068.159	8.466.511	770.707	965.524
Trade payables	27.432.812	3.763.318	6.490.111	9.980.348	57.370
Trade payables to related parties	2.602.876	1.102.508	13.466	428.318	-
Other payables to related parties	208.950	43	-	10.794.990	-
Deferred income	4.932.444	1.675.030	314.809	-	44.558
Short-term portion of long-term bank borrowings	8.440.955	3.630.718	7.688	-	-
Short-term bank borrowings	95.951	-	34.017	-	-
Current Liabilities	43.713.988	10.171.617	6.860.091	21.203.656	101.928
Long-term bank borrowings	473.625.900	186.000.000	15.000.000	-	-
Long-term financial lease obligations	-	-	-	-	-
Non-Current Liabilities	473.625.900	186.000.000	15.000.000	-	-
Total Liabilities	517.339.888	196.171.617	21.860.091	21.203.656	101.928
Net Foreign Currency Position	(473.581.015)	(189.103.458)	(13.393.580)	(20.432.949)	863.596
Total foreign currency amount of off-balance sheet derivative financial assets (*)	425.805.619	183.623.968	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	425.805.619	183.623.968	-	-	-
Net foreign currency asset/ (liability) position	(47.775.396)	(5.479.490)	(13.393.580)	(20.432.949)	863.596

(*) As of 31 December 2014, the Company entered into a number of foreign exchange forwards contracts with banks in order to hedge its exchange rate risk associated with the import and export transactions amounting to Euro 4.900.000 Euro selling/ USD buying, 1.100.00 Euro buying/TL selling and amounting to USD 172.500.000 USD buying/ TL selling.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market risk (cont’d)

Foreign currency position table

	31 December 2013				
	TL Equivalent (Functional currency)	US Dollar	Euro	JPY	GBP
Cash and cash equivalents	4.437.784	1.848.580	162.473	79.888	3.885
Trade receivables	39.673.515	5.420.486	8.145.391	-	1.192.012
Trade receivables from related parties	12.906.983	-	4.395.363	-	-
Other receivables from related parties	2.069.494	913.718	40.642	-	-
Prepaid expenses	331.247	5.881	107.967	-	470
Current Assets	59.419.023	8.188.665	12.851.836	79.888	1.196.367
Trade receivables	32.053	13.845	-	-	713
Prepaid expenses	547.448	256.500	-	-	-
Non-Current Assets	579.501	270.345	-	-	713
Total Assets	59.998.524	8.459.010	12.851.836	79.888	1.197.080
Trade payables	7.179.442	889.277	1.697.579	5.514.745	52.671
Trade payables to related parties	3.986.149	1.709.553	80.555	4.987.396	-
Other payables to related parties	235.702	43	10.789	10.080.004	-
Deferred income	4.682.968	1.845.135	253.668	-	-
Short-term portion of long-term bank borrowings	4.234.127	1.974.447	6.833	-	-
Short-term financial lease obligations	1.206.819	-	410.972	-	-
Current Liabilities	21.525.207	6.418.455	2.460.396	20.582.145	52.671
Long-term bank borrowings	312.969.300	126.000.000	15.000.000	-	-
Long-term financial lease obligations	82.002	-	27.925	-	-
Non-Current Liabilities	313.051.302	126.000.000	15.027.925	-	-
Total Liabilities	334.576.509	132.418.455	17.488.321	20.582.145	52.671
Net Foreign Currency Position	(274.577.985)	(123.959.445)	(4.636.485)	(20.502.257)	1.144.409
Total foreign currency amount of off-balance sheet derivative financial assets (*)	260.311.110	121.965.567	-	-	-
Total foreign currency amount of off-balance sheet derivative financial liabilities(*)	-	-	-	-	-
Net foreign currency position of derivative financial instruments	260.311.110	121.965.567	-	-	-
Net foreign currency asset/ (liability) position	(14.266.875)	(1.993.878)	(4.636.485)	(20.502.257)	1.144.409

(*) As of 31 December 2014, the Company entered into a number of foreign exchange forwards contracts with banks in order to hedge its exchange rate risk associated with the import and export transactions amounting to Euro 40.200.000 Euro selling/ USD buying and amounting to USD 80.100.000 USD buying/ TL selling.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market risk (cont’d)

The Company is exposed to foreign exchange risk arising primarily with respect to transactions denominated in USD, Euro, GBP and JPY.

The following table details the Company’s sensitivity to a 10% increase and decrease in the TL against USD, Euro, GBP and JPY. 10% is used in the reporting of currency risk to the key management and it represents the management’s expectation on the potential exchange rate fluctuations. Sensitivity analysis can only be made on the year-end outstanding foreign currency denominated monetary items and it shows the year-end effects of the 10% of exchange currency fluctuation on the related items. The analysis includes foreign loans as well as loans that are denominated other than the creditors’ functional currency and used for the Company’s foreign transactions. Positive value represents an increase in profit/loss and other equity items.

Foreign currency sensitivity analyze table

	31 December 2014	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(43.851.201)	43.851.201
2- Hedged USD (-)	42.580.563	(42.580.563)
3- USD net effect (1 +2)	(1.270.638)	1.270.638
Change in Euro against TL by 10%		
4- Euro net asset / liability	(3.777.927)	3.777.927
5- Hedged Euro (-)	-	-
6- Euro net effect (4+5)	(3.777.927)	3.777.927
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	271.026	(271.026)
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	271.026	(271.026)
TOTAL (3 + 6 +9)	(4.777.539)	4.777.539

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(b) Market risk (cont’d)

Foreign currency sensitivity analyze table

	31 December 2013	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD net asset / liability	(26.456.664)	26.456.664
2- Hedged USD (-)	26.031.111	(26.031.111)
3- USD net effect (1 +2)	(425.553)	425.553
Change in Euro against TL by 10%		
4- Euro net asset / liability	(1.361.504)	1.361.504
5- Hedged Euro (-)	-	-
6- Euro net effect (4+5)	(1.361.504)	1.361.504
Change in other currencies against TL by 10%		
7- Other currencies net asset / liability	360.370	(360.370)
8- Hedged other currencies (-)	-	-
9- Other currencies net effect (7+8)	360.370	(360.370)
TOTAL (3 + 6 +9)	(1.426.687)	1.426.687

Forward contracts

Forward contracts

Outstanding forward contracts	Average rate / Parity		Foreign currency		Contractual value		Fair value	
	2014 TL	2013 TL	2014	2013	2014 TL	2013 TL	2014 TL	2013 TL
TL Selling / USD Buying								
Less than 3 months	2,3415	2,0608	50.700.000	25.200.000	118.711.690	51.947.180	388.100	2.451.684
Between 3 - 6 months	2,3895	2,0994	38.400.000	22.500.000	91.758.380	47.229.720	84.494	2.286.214
More than 6 months	2,4659	2,1608	83.400.000	32.400.000	205.653.980	69.808.940	(116.603)	3.406.007
TL Selling /Euro Buying								
Less than 3 months	2,8870	-	1.100.000	-	3.175.700	-	(49.610)	-
EURO Selling / USD Buying								
Less than 3 months	1,2444	1,3771	1.500.000	12.900.000	1.866.570	17.764.910	97.021	38.279
Between 3 - 6 months	1,2446	1,3766	2.900.000	13.200.000	3.609.460	18.171.460	186.059	17.557
More than 6 months	1,2452	1,3773	500.000	14.100.000	622.580	19.419.860	31.468	37.888
							620.929	8.237.629

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(c) Funding risk

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The borrowings of the Company are from financially strong various financial institutions.

(d) Credit risk

Credit risk arises from deposits with banks, as well as credit exposures to customers, including outstanding receivables. Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. The Company management covers these risks by limiting the aggregate risk from any individual counter party and if necessary by obtaining guarantee.

The Company uses internal credit control procedure, credit rating system and internal control policy for the credit risk management of receivables from customers. According to these procedures, the Company approves, increases or decreases individual customer credit limits for high balanced customers (excluding related parties). The credit limits are set by taking into account the financial position, past payment performance, the position of trade relations, growth potential and management style of the customers. These limits are annually revised and letter of guarantees, mortgages and other guarantees are received for the high risk customers.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(d) Credit risk (cont’d)

As of 31 December 2014, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments

31 December 2014	Receivables						Derivative Financial Instruments	Other
	Trade Receivables		Other Receivables					
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits			
Maximum credit risk based on financial instruments as of reporting date	22.680.281	509.959.595	1.433.134	5.228.266	9.847.319	857.951	-	
- Collateralized or secured with guarantees part of maximum credit risk	805.608	497.224.901	-	-	-	-	-	
A. Net book value of not due or not impaired financial assets	16.447.747	487.585.790	1.433.134	5.228.266	9.847.319	857.951	-	
B. Net book value of past due but not impaired financial assets	6.232.534	22.373.805	-	-	-	-	-	
- Collateralized or guaranteed part	805.608	24.040.172	-	-	-	-	-	
C. Net book value of impaired financial assets								
- Gross amount of overdue part	-	7.778.606	-	-	-	-	-	
- Impairment (-)	-	(7.778.606)	-	-	-	-	-	
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	
- Gross amount of not due part								
- Impairment (-)	-	-	-	-	-	-	-	
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	
D. Off-balance sheet items comprising credit risk								

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(d) Credit risk (cont’d)

As of 31 December 2013, the credit risk regarding the financial instruments is as follows:

Credit risk regarding the financial instruments

	Receivables						Derivative Financial Instruments	Other
	Trade Receivables		Other Receivables		Bank Deposits			
31 December 2013	Related Parties	Third Parties	Related Parties	Third Parties				
Maximum credit risk based on financial instruments as of reporting date	20.367.562	433.836.579	2.068.975	3.373.384	7.968.100	8.323.104	-	
- Collateralized or secured with guarantees part of maximum credit risk	2.990.000	470.672.607	-	-	-	-	-	
A. Net book value of not due or not impaired financial assets	16.231.205	409.638.475	2.068.975	3.373.384	7.968.100	8.323.104	-	
B. Net book value of past due but not impaired financial assets	4.136.357	24.198.104	-	-	-	-	-	
- Collateralized or guaranteed part	2.990.000	16.826.751	-	-	-	-	-	
C. Net book value of impaired financial assets								
- Gross amount of overdue part	-	7.408.925	-	-	-	-	-	
- Impairment (-)	-	(7.408.925)	-	-	-	-	-	
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	
- Gross amount of not due part	-	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	-	
- Collateralized or guaranteed part of net value	-	-	-	-	-	-	-	
D. Off-balance sheet items comprising credit risk								

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont’d)

(d) Credit risk (cont’d)

The Company assumes that its receivables from the related parties including the ones which are overdue bear no risk of collection since it takes into account that such receivables are to be collected from the companies and that all of such receivables had been collected in the previous periods.

The Company did not make any provisions for doubtful receivables since the overdue receivables are to be collected from the corporate customers who did not delay any collections in the previous periods, and even if they delayed, eventually managed to pay their debts. In addition, when the maturity composition of the receivables which are not impaired are analyzed, it is seen that a little time longer than three months has passed since the maturity date of most of them.

The aging table of the Company’s overdue but not impaired trade receivables including due from related parties which takes into account the overdue terms is as follows:

	31 December 2014	31 December 2013
Between 0 - 1 months	22.209.562	21.351.690
Between 1 - 3 months	2.157.411	2.947.242
Between 3 - 12 months	4.239.366	4.035.529
	<u>28.606.339</u>	<u>28.334.461</u>

(e) Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the debt/(total capital+net debt+non-controlling interest) ratio. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the balance sheet) less cash and cash equivalents.

As of 31 December 2014 and 2013 Net debt/equity+net debt rates are as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Capital risk management		
Total liabilities	1.020.337.283	836.958.470
Cash and cash equivalents	9.847.319	7.968.100
Net debt	1.010.489.964	828.990.370
Equity	604.877.619	568.466.501
Equity+Net debt	<u>1.615.367.583</u>	<u>1.397.456.871</u>
Net debt / (Equity+Net debt)	0,63	0,59

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

26. FINANCIAL INSTRUMENTS

Fair value of financial instruments

	Loans and receivables (including cash and cash equivalents)	Available for sale investments	Financial liabilities at amortized cost	Derivative financial instruments	Carrying value	Note
31 December 2014						
<u>Financial assets</u>						
Cash and cashequivalents	9.847.319	-	-	-	9.847.319	3
Trade receivables	529.166.298	-	-	-	529.166.298	6
Receivables from related parties	24.113.415	-	-	-	24.113.415	6
Other receivables	5.228.266	-	-	-	5.228.266	7
Derivative financial assets	-	-	-	49.701.285	49.701.285	5
	568.355.298	-	-	49.701.285	618.056.583	
<u>Financial liabilities</u>						
Financial liabilities	-	-	722.847.351	-	722.847.351	4
Trade payables	-	-	155.036.540	-	155.036.540	6
Payables to related parties	-	-	54.539.940	-	54.539.940	6
Derivative financial liabilities	-	-	-	9.411.167	9.411.167	5
	-	-	932.423.831	9.411.167	941.834.998	
31 December 2013						
<u>Financial assets</u>						
Cash and cashequivalents	7.968.100	-	-	-	7.968.100	3
Trade receivables	439.683.829	-	-	-	439.683.829	6
Receivables from related parties	22.436.537	-	-	-	22.436.537	6
Other receivables	3.373.384	-	-	-	3.373.384	7
Derivative financial assets	-	-	-	40.451.879	40.451.879	5
	473.461.850	-	-	40.451.879	513.913.729	
<u>Financial liabilities</u>						
Financial liabilities	-	-	581.749.577	-	581.749.577	4
Trade payables	-	-	131.592.227	-	131.592.227	6
Payables to related parties	-	-	58.991.937	-	58.991.937	6
Derivative financial liabilities	-	-	-	85.475	85.475	5
	-	-	772.333.741	85.475	772.419.216	

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

26. FINANCIAL INSTRUMENTS (Cont’d)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Since, long term foreign currency loans generally have floating rate, fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate (Note 4)

Fair value estimation:

Financial instruments measured at fair value in the balance sheet reclassified as follows:

Level 1: Quoted prices in markets for assets and liabilities

Level 2: Direct or indirect observable inputs for the assets or liabilities other than quoted prices in market

Level 3: Inputs for the assets and liabilities where observable market data cannot be determined.

BRİSA BRIDGESTONE SABANCI LASTİK SANAYİ VE TİCARET A.Ş.
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

26. FINANCIAL INSTRUMENTS (Cont’d)

Derivative financial instruments

Financial Assets / Financial Liabilities	Fair value		Fair value hierarchy	Valuation Technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31 December 2014	31 December 2013				
Forward contracts	620.929	8.237.629	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-
Cross-currency swap	39.669.189	32.128.775	2	Discounted cash flow method : The future cash flows, predicted by forward foreign currency rate(observable forward foreign currency rates at reporting date) and the contracted rates, are discounted by a discount rate which indicates other parties credit risk.	-	-

27. EVENTS AFTER THE REPORTING PERIOD

None.